

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 SP-03 AID-20 EB-11 NSC-07 RSC-01 CIEP-02

TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-03 PA-04 PRS-01 SWF-02 SAM-01 DRC-01 /168 W

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O R 071730Z JUN 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 7013

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS H WPRHNFP

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 EC BRUSSELS 3907

PASS TREASURY, FRB AND CEA

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJECT: EC COUNCIL (FINANCE) MEETING JUNE 6

REF: EC BRUSSELS 3673

1. SUMMARY: MEETING IN LUXEMBOURG JUNE 6, THE FINANCE
MINISTERS OF THE NINE AGREED THEY WOULD NOT PRESS THE
GOLD ISSUE FORMALLY AT THE C-20 MINISTERIAL IN WASHINGTON
JUNE 12-13. THEY ALSO AGREED ON THE PROCEDURAL ASPECTS
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(I.E. FURTHER STUDY REQUIRED) OF A COMMISSION PROPOSAL

FOR A CONCERTED ANTI-INFLATION PROGRAM, A NEW CONCERTED FLOAT OF EC CURRENCIES, AND LARGE NEW INTERNATIONAL BORROWINGS BY THE EC MONETARY COOPERATION FUND. THE GENERAL VIEW OF THE MINISTERS WAS THAT ECONOMIC STABILIZATION WAS BEST PURSUED INDIVIDUALLY BY THE MEMBER STATES. SOME OF OUR CONTACTS FORESEE, HOWEVER, A FEW CONCRETE MEASURES DESIGNED TO COORDINATE MEMBER STATE ECONOMIC POLICIES. FINALLY, THE MINISTERS DISCUSSED AND REACHED A COMMON POSITION ON SOME BUT NOT ALL THE ISSUES OF INTERNATIONAL MONETARY REFORM. MOST OF OUR SOURCES CHARACTERIZED THE MEETING AS REALISTIC AND DEVOID OF ILLUSIONS. END SUMMARY

2. THIS MESSAGE COVERS THE COUNCIL'S DISCUSSION OF GOLD AND INTERNATIONAL MONETARY REFORM ISSUES. A SECOND MESSAGE WILL TREAT THE MINISTERS' DISCUSSION OF THE INTERNAL ECONOMIC SITUATION IN THE COMMUNITY.

3. BOTH APEL (FRG) AND HEALEY (UK) SAID AFTER THE MEETING THAT THE NINE WOULD NOT RAISE THE GOLD ISSUE FORMALLY AT THE FORTHCOMING C-20 MINISTERIAL MEETING. (INFORMAL DISCUSSIONS--PERHAPS IN A C-10 CONTEXT-- ARE NOT EXCLUDED.) APEL DECLINED TO COMMENT TO THE PRESS ON SECRETARY SIMON'S REMARKS ON GOLD AT WILLIAMSBURG, SAYING THAT HE HAD ONLY READ ABOUT THEM IN THE PRESS. HE SAID THE NINE AGREED THAT GOLD SHOULD GRADUALLY BE REDUCED TO THE STATUS OF A COMMODITY, THAT DEMONETIZATION WAS SENSIBLE, THAT SOME MEMBER STATES HAD LEGITIMATE NEEDS RELATED TO GOLD, AND THAT AGREEMENT WITH THE US WAS NECESSARY. NONETHELESS, THE TIME WAS NOT RIPE FOR A FORMAL INITIATIVE.

4. HEALEY SAID THAT WHILE THE ZEIST PROPOSALS REMAINED THE BASIS FOR THE COMMUNITY'S EFFORT TO "UNFREEZE" GOLD, THE COMMUNITY'S POSITION NEEDED MORE WORK BEFORE THERE COULD BE FORMAL NEGOTIATIONS AND THAT FURTHER BILATERAL DISCUSSIONS WITH THE US WERE NECESSARY.

5. WE HAVE ASKED OUR CONTACTS WHY THE COMMUNITY NOW
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APPEARS TO BE BACKTRACKING FROM ITS PREVIOUS ENTHUSIASM FOR QUICK ACTION ON GOLD FOLLOWING THE ZEIST MEETING. THEY HAVE AVOIDED CLEAR-CUT RESPONSES BUT SUGGEST THAT THE MEMBER STATES ARE NOT ALL CONVINCED THEY ARE AGREED ON A VIABLE PROPOSAL THAT WILL MEET THE DESIDERATA OF NEEDY MEMBER STATES SUCH AS ITALY AND ALSO BE CONSISTENT WITH THE GOAL OF EVENTUAL DEMONETIZATION. SOME OF THE MEMBER STATES ALSO WISH TO AVOID PRESSING A PROPOSAL

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INFO AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 02 OF 02 EC BRUSSELS 3907

PASS TREASURY, FRB AND CEA

THAT SEEMS CERTAIN TO BE REJECTED BY THE DEVELOPING COUNTRIES. IN ANY CASE, A KEY SOURCE FROM A MEMBER STATE CENTRAL BANK TOLD US THAT, NOT ONLY DO THE NONE NOT WISH TO RAISE THE SUBJECT IN WASHINGTON, BUT THAT THEY DO NOT WISH THE US OR THE IMF TO RAISE IT EITHER. ACCORDING TO OUR SOURCE, THE GERMANS WILL MAKE APPROACHES TO THE US ALONG THESE LINES.

6. THE COUNCIL DISCUSSED THE VARIOUS ASPECTS OF

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INTERNATIONAL MONETARY REFORM IN PREPARATION FOR THE C-20 MINISTERIAL. A SOURCE FROM A MEMBER STATE CENTRAL BANK HAS GIVEN US A POINT-BY-POINT ACCOUNT OF THE DISCUSSION AS FOLLOWS: (A) THE MINISTERS MORE OR LESS AGREED THAT PART I OF THE OUTLINE FOR REFORM EXPRESSED THE BROAD LINES ON WHICH A REFORMED SYSTEM SHOULD DEVELOP; (B) THERE WAS GENERAL AGREEMENT ON THE USEFULNESS OF AN INTERIM COMMITTEE OF GOVERNORS, BUT THE DUTCH ENTERED A RESERVE ON THE MANDATE THAT WOULD BE GIVEN TO THE COMMITTEE. THE DUTCH ARE ALSO APPARENTLY CONCERNED ABOUT THE NUMBER OF PEOPLE WHO WOULD PARTICIPATE IN THE COMMITTEE'S DELIBERATIONS; (C) THERE WAS A CONSENSUS THAT GUIDELINES FOR FLOATING EXCHANGE RATES WOULD BE USEFUL BUT THERE WAS NO IN-DEPTH DISCUSSION OF THIS ISSUE; (D) THE US PROPOSAL FOR A TRADE PLEDGE WAS ACCEPTED AS AMENDED BY THE GERMANS; THAT IS, THE IMF WOULD JUDGE WHETHER BALANCE OF PAYMENTS CONSIDERATIONS MIGHT JUSTIFY TRADE MEASURES, LEAVING THE SPECIFIC MEASURES TO BE CONSIDERED BY OTHER BODIES; (E) GOLD (SEE PARAS 3, 4, 5 ABOVE); (F) THE MINISTERS ACCEPTED IN GENERAL THE IMF PROPOSAL FOR VALUATION OF THE SDR BASED ON A SIXTEEN-CURRENCY TRADE WEIGHTED BASKET AND A MINIMUM INTEREST RATE OF FIVE PERCENT. (SOME MEMBER STATE WANTED A HIGHER RATE); (G) THERE WAS NO AGREEMENT ON THE SDR AID LINK. APEL SAID THE GERMANS FLATLY OPPOSED IT; (H) THE MINISTERS ACCEPTED THE IMF PROPOSAL FOR FURTHER STUDY OF TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES UNDER THE AEGIS OF THE BANK AND FUND. (THERE WAS SOME QUESTION AS TO WHETHER FRANCE EXPLICITLY ACCEPTED THIS PROPOSAL AT THE COUNCIL, BUT WE UNDERSTAND FOURCADE RAISED NO OBJECTION WHEN HE GAVE HIS STATEMENT ON INTERNATIONAL MONETARY REFORM); AND (I) THERE WAS NO AGREEMENT ON THE QUESTION OF AMENDMENTS TO THE IMF ARTICLES OF AGREEMENT. WE UNDERSTAND MOST OF THE MEMBER STATES WERE OPPOSED TO ACCEPTANCE OF JUST A FEW AMENDMENTS AND PREFERRED RE-EXAMINATION OF THE ENTIRE SET OF ARTICLES AT AN APPROPRIATE TIME. SOME COUNTRIES WERE AGAINST ANY AMENDMENT IN CONNECTION WITH INTERIM REFORM. GREENWALD

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